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Chairman: Mr. Ashe (Antigua and Barbuda)

*Acting Chairman of the Advisory Committee on Administrative
and Budgetary Questions:* Mr. Saha

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The meeting was called to order at 10 a.m.

Agenda item 126: Improving the financial situation of the United Nations (*continued*) (A/60/427)

1. **Ms. Galvez** (United Kingdom), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate countries Croatia and Turkey; the stabilization and association process countries Albania, Bosnia and Herzegovina, Serbia and Montenegro and the former Yugoslav Republic of Macedonia; and, in addition, Liechtenstein, the Republic of Moldova and Ukraine, said that, as reflected in the Secretary-General's report on improving the financial situation of the United Nations (A/60/427), there had been no real improvement in the payment of assessed contributions to the Organization, despite Member States' demands that the United Nations become more efficient.

2. Some Member States consistently failed to pay their assessed contributions or paid their contributions late, leaving the Organization on the verge of severe cash-flow difficulties. All Member States should take their obligations to the Organization as seriously as they expected the Secretariat to take its own obligations. Where their payment schedules for the regular budget were endangering the efficient functioning of the Organization, they should take steps to change them.

3. Because of the lack of financial stability and predictability, the Organization had been unable to reimburse some troop-contributing countries promptly. Those countries had a legitimate expectation to be reimbursed fully and quickly, but until the Committee was able to engage in a substantial debate on the issue of late payments, they would continue to face delayed reimbursements. The issue of late reimbursements caused by delays in signing memorandums of understanding should be addressed by those responsible, as a matter of urgency.

4. The European Union did not wish to be presented with revised peacekeeping budgets simply because missions were running low on cash. Furthermore, the late issuance of the budget for the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) would inevitably delay the issuing of assessments for that Mission.

5. Although the European Union was relieved the financial situation of the international tribunal eased, the projection of an end-of-year 2005 deficit for the International Criminal Tribunal for Rwanda was worrying. It was also disappointing some Member States had, for more than 10 years, nothing at all towards tribunal costs. The European Union would urge those countries to demonstrate commitment to international justice and to Article 17 of the Charter of the United Nations by making payments soon.

6. **Ms. Taylor Roberts** (Jamaica), speaking on behalf of the Group of 77 and China, said that successful implementation by the Organization of its programmes and activities mandated by Member States depended to a large extent on the provision of adequate resources by the Member States themselves. The Secretary-General's projections clearly showed that the financial situation of the Organization had scarcely improved.

7. While it was encouraging that the number of Member States paying their contributions in full had increased by two, the increase would have no impact on the Organization's resources. New and expanded peacekeeping operations continued to place additional strain on Member States. The Group was concerned by the continuing high level of arrears to troop-contributing countries, particularly for reimbursement of contingent-owned equipment. It remained convinced that the international tribunals required predictable and adequate financial resources to carry out their mandates effectively.

8. **Ms. Lisson** (Australia), speaking also on behalf of Canada and New Zealand, said that the Secretary-General's report did not present a particularly positive picture of the Organization's finances. While she welcomed the improvement in the Organization's financial position, the positive trends should not obscure the fact that unpaid assessments had increased for the regular budget, the international tribunals and the capital master plan. Some 65 Member States owed a total of \$739 million, over 90 per cent of which was owed by just three States. Payment of those assessments would do much to stabilize the Organization's financial situation.

9. It was essential that sufficient resources be provided for peacekeeping missions, which were increasing in number, size and complexity, and in

disappointing to learn that certain permanent members of the Security Council were among those with the largest unpaid peacekeeping assessments. Despite the welcome signs of progress made in funding the two International Tribunals, there were still 112 Member States with amounts outstanding. The delegations on whose behalf she spoke would welcome further information on the financing of the capital master plan.

10. There was obviously a disjuncture when certain Member States urged the United Nations to take on additional tasks while not paying their share of the costs. Although a handful of Member States was clearly responsible for the vast majority of unpaid assessments, that did not lessen the obligation of States with relatively smaller assessments. Member States should therefore meet their obligations under Article 17 of the Charter of the United Nations and pay their assessed contributions on time, in full and without conditions.

11. The decision to retain \$83 million in the accounts of closed peacekeeping missions in order to manage cash shortfalls in other accounts continued to penalize Member States that had paid their assessments, thereby exacerbating the inequity between those that paid on time and those that paid late, in part, or not at all. The continued retention of cash from closed missions was a short-term solution, and suggestions from the Secretariat as to how the issue might be resolved would be welcome.

12. **Mr. Biswamuthiary** (India) said that the obligation to pay assessed contributions in full, on time and without conditions was a fundamental requirement accepted by all Member States and reflected in countless General Assembly resolutions. It was a matter of concern that a single Member State accounted for 80 per cent of the total outstanding contributions to the regular budget.

13. Although unpaid assessments for peacekeeping had declined in 2005, the fact that the total had remained consistently above \$2 billion created concerns for the funding of operations and for the reimbursement to troop-contributing countries. Because the financing of peacekeeping missions had become unpredictable, the Security Council should, when approving the extension of peacekeeping mandates, try to align their periodicity in order to help Member States make timely payments.

14. The only financial flexibility available to the Organization lay in the unencumbered balance of \$83 million in the budgets of closed peacekeeping missions. If Member States paid their contributions on time, however, that flexibility would not be required. The high level of debt owed to Member States for the troop and equipment costs of closed missions was a long-standing problem caused by the refusal of some Member States to pay their related assessments. The amounts owed with respect to current peacekeeping missions was also cause for concern.

15. While recognizing the Secretariat's efforts to reduce the time period for payments, the delays in making payments to troop-contributing countries were affecting MONUC and the United Nations Peacekeeping Force in Cyprus (UNFICYP), in addition to the United Nations Interim Administration Mission in Kosovo (UNMIK) and the United Nations Mission for the Referendum in Western Sahara (MINURSO). That was a reason for serious concern, and his delegation wished to know the reasons for the delay in making payments.

16. The 2005 World Summit Outcome requested the Secretary-General to provide an assessment and recommendations concerning the financial regulations and rules of the Organization. The Secretary-General should therefore examine how peacekeeping funds might be better managed in order to achieve synergy in the use of financial resources among missions and to meet the Organization's obligations to Member States. The Committee should also consider how Member States' unpaid contributions might be offset against credits due to them, and how payments due to Member States for past peacekeeping operations might be offset against their current assessments. Lastly, it should examine how liabilities owed to troop contributors might be given a higher priority than other peacekeeping-related liabilities.

17. **Mr. Malek** (Malaysia) said that his delegation regarded the regular, tribunal and peacekeeping budgets as equally important components of the Organization's financing. Although the improvement in the Organization's cash position and the decline in the peacekeeping budget were encouraging, Malaysia remained concerned about the continued fragility of the overall financial situation and at the fact that the international tribunals and several ongoing peacekeeping missions had been obliged to borrow funds from closed peacekeeping missions. It was vital

to provide adequate resources and tools to the peacekeeping missions and his delegation hoped that that situation would not be repeated in the next budget.

18. The welcome decline in the amount outstanding to the international tribunals should continue and all aspects of the implementation of the capital master plan should be completed as soon as possible. Malaysia looked forward to receiving a detailed report on the plan in early November 2005. His delegation was mindful of the difficulties faced by some Member States in settling their arrears, but hoped that they, and the major contributors in particular, would honour their assessed contributions and settle their arrears, since the only viable way to ensure the financial health of the Organization was for Member States to meet their financial obligations in full, on time and without conditions.

19. **Mr. Torres Lépori** (Argentina), speaking on behalf of the Rio Group, said that although the Group welcomed the improvement in the Organization's cash flow position, it was concerned at the continued fragility of its overall financial position and at the possibility that cross-borrowing operations might again be necessary for the continued operation of peacekeeping missions and the international tribunals.

20. The Rio Group understood that the Organization must be financially sound in order to fulfil its mandates. Although some of its members had fallen behind in their payments, the delays were due to their internal budgetary problems or to the need to allocate funds to urgent social programmes such as the fight against poverty. A number of member countries had either recently made or would shortly make substantial payments into the Organization's budgets, thereby demonstrating their commitment to the United Nations.

21. Although the Group was pleased to note that the pace of reimbursements for troops and contingent-owned equipment had increased significantly, it was concerned at the delays in payments to peacekeeping missions and at the prospect that troop contributors to MONUC would not be reimbursed in December 2005. The Group welcomed the slight improvement in the financial position of the international tribunals and would await the report on the capital master plan before offering its thoughts on the matter.

22. **Mr. Kittikhoun** (Lao People's Democratic Republic), speaking on behalf of the Association of South-East Nations (ASEAN), welcomed the

improvement in the finances of the Organization but remained concerned that it might still end the year in the red because of delays in the payment of arrears. Failure to address the difficult financial situation of the United Nations would prevent the Organization from carrying out its activities effectively. While ASEAN was pleased to note that the practice of borrowing funds from peacekeeping operations had been limited in 2005, it was concerned that cross-borrowing might still be needed in order to finance regular budget activities, a practice that had led to delays in reimbursements to troop-contributing countries from the developing world. The situation should therefore be addressed on a priority basis.

23. It was the collective responsibility of all Member States to finance the United Nations and while ASEAN recognized that some countries were experiencing genuine economic difficulties, it urged all Member States to honour their obligation to provide the Organization with adequate resources, in a timely manner.

24. **Mr. Kumalo** (South Africa) said that Member States should step up their efforts to meet their obligations under the Charter of the United Nations. Over the previous year they had been reflecting on ways to strengthen the ability of the Organization to meet the ambitious agenda set at the Millennium Summit. During that process, they had placed great emphasis on the functioning of the Secretariat and on measures to enhance the accountability of staff to the Organization and its Member States. Regrettably, however, less emphasis had been placed on Member States' responsibilities towards the Organization and its staff.

25. The challenge for the current session was to focus on implementing the 2005 World Summit Outcome. However, Member States would be able to maintain the momentum provided by that Summit only if they made a more concerted effort to act on their obligations under the Charter of the United Nations and pay their assessed contributions in full, on time and without conditions. That was especially important with respect to those Member States that had the capacity to do so.

26. South Africa welcomed the progress made towards reducing the amounts outstanding for the two International Tribunals, which had been created by the international community as a demonstration of its collective will to deal with the gross human rights

abuses and acts of genocide that had been perpetrated in the two countries concerned. Both Tribunals were nearing the end of their mandates and the international community could not fail the victims. South Africa therefore remained alarmed that the Tribunal for Rwanda might once again end the year in deficit, and trusted that the international community would muster the political will to ensure that its condemnation of the abuses suffered by the people of Rwanda in 1994 amounted to more than mere words.

27. His delegation also trusted that the Organization would reimburse those Member States that had provided troops and equipment to peacekeeping operations, especially as the bulk of the outstanding amounts was owed to African and other developing countries. He hoped that the United Nations would make the reimbursements overdue to South Africa as a matter of urgency.

28. It was ultimately in Member States' common interest to ensure that the Organization fulfilled its objectives and was able to operate in an efficient manner. South Africa would always be grateful for the immense contribution made by the United Nations towards ending apartheid and would make every effort to ensure its continued success.

29. **Mr. Aljunied** (Singapore) said that the Controller's assertion that the Organization must have a strong and dependable financial base had been repeated in some form or other year after year, always falling on deaf ears. Once again, the Organization remained dependent on the receipt of unpaid contributions before the end of the year.

30. Some years before his delegation had used the analogy of a building with a number of unreasonable tenants to describe the Organization's financial situation. In fact, the very title of the agenda item was optimistic, for little improvement ever took place. The situation obstructed the activities of the United Nations and impaired the morale of its Members. It was baffling that some Member States, in particular the major contributor, continued to incur arrears or did not pay their assessed contributions. The countries concerned were not failed States, and conflicts between their legislative and executive branches were no excuse for the imposition of conditions on their international obligations. The fulfilment of financial obligations to the United Nations was clearly linked to the notion of accountability. A country or group of countries could

not demand accountability within the United Nations when they themselves did not meet that standard.

31. The other side of the coin was political, for in most cases there was more than enough money to pay a country's assessed contributions. It was wrong for countries to pick and choose which of the mandated programmes to fund.

32. It would be ironic if Member States reneged on the commitment to a strong and effective United Nations made at the recent World Summit out of a lack of political will to fulfil their financial obligations. It was a question of commitment as well as of money and the Organization could be only as effective as its Member States allowed it to be. Singapore called upon Member States to follow its example by paying their assessed contributions in full, on time and without conditions.

33. **Mr. El Sahli** (Saudi Arabia) said that the United Nations needed to be in a healthy financial position in order to carry out its mandated activities, especially those aimed at developing countries. Saudi Arabia always fulfilled its commitments to the regular budget and the budget of the international tribunals, as the financial position of the United Nations depended on the willingness of its Member States to pay their assessed contributions in full, on time and without conditions. His delegation welcomed the slight improvement in that regard.

34. Since peacekeeping was one of the Organization's most important areas of activity, Saudi Arabia reaffirmed its commitment to pay its assessed contributions to the peacekeeping budget and again stressed the need to ensure that peacekeeping operations were carried out efficiently.

35. If the Member States continued to mandate more and more activities, especially in the field of economic and social development, they must at the same time meet their responsibilities with regard to all the United Nations budgets.

36. **Mr. Iossifov** (Russian Federation) said that the trend towards improvement of the financial situation was obvious although the problems were still far from being solved. Failure by Member States to fulfil their financial obligations obstructed the needed increase in expenditure in a number of areas, in particular on peacekeeping operations. An adverse effect on the maintenance of international peace and security could

be avoided only by stricter cost-saving measures, stronger financial discipline, and prompt settlement of arrears.

37. In recent years, his Government had been meeting its obligations to the United Nations budgets in full and on time. All Member States must fulfil their Charter obligations in that regard without turning the payment of contributions into an instrument of political pressure. The Controller was right to say that only a strong and predictable financial base could enable the Organization to carry out the tasks assigned to it by Member States. Stable financing was also a prerequisite for the success of the reform of the United Nations. All member States which had not yet done so should pay their arrears to the Organization and thus strengthen its capacity to respond to global challenges, carry out mandated programmes and projects, and adapt to the needs of the global community.

38. **Mr. Mubith** (Bangladesh) said that the Organization's financial situation remained a source of concern despite some progress during 2005. Unpaid contributions to the budgets and the capital master plan had in fact increased, and the Organization was again dependent on collecting unpaid assessed contributions in the final quarter. Bangladesh fulfilled its Charter obligations and urged all Member States to do likewise. However, States temporarily unable to fulfil their obligations for reasons beyond their control should be treated with sympathy.

39. Where the peacekeeping budget was concerned, the debt owed to Member States in respect of troop contributions and contingent-owned equipment would be about \$779 million at the end of 2005. The unhealthy practice of cross-borrowing had in the past resulted in inordinate delays in making reimbursements to such States. Bangladesh therefore appreciated the Secretary-General's commitment to reducing the level of that debt.

40. **Mr. Sun Xudong** (China) said that without a stable and solid financial base any talk of a robust role for the United Nations would be idle. Such a base was particularly essential at a time when the United Nations was undergoing reform. The statistics given by the Controller showed that most Member States had paid their assessed contributions in full and on time but that a few had failed to do so. Unless Member States took their financial obligations in earnest, the budgets of the

United Nations would become mere pieces of paper without any binding force.

41. Although a developing country, China had managed to pay in 2005 assessed contribution totalling more than \$159 million. His delegation once again called upon all the Member States to fulfil their financial obligations under the Charter so that the United Nations would be able to perform its function better.

42. **Mr. Al-Hayen** (Kuwait) said that the vital role of the United Nations in various fields was an incentive for greater cooperation among Member States to ensure its continued ability to fulfil its mandates. The failure of some States to pay their assessed contributions in full and on time led to instability in the Organization's daily operations. Furthermore, reform of the United Nations would be impossible without a proper financial base. In order to secure such a base, Member States and the Secretariat must pursue a reform plan which addressed the Organization's operational defects. All Member States must demonstrate the political will to fulfil their financial obligations. For its part, Kuwait would continue to do so.

43. **Mr. Requijo Gual** (Cuba) said it was regrettable that, yet again, the report of the Secretary-General on the item had not been issued in good time.

44. The current and prospective financial situations described by the Controller were alarming. Once again the Organization was dependent on the collection of the assessed contributions of a small group of countries by the end of the year. Furthermore, the changes in the scales of assessments for the regular and peacekeeping budgets adopted in resolutions 55/5 and 55/231 had had the negative effect of substantially increasing the assessed contributions of many developing countries and had departed from the principle of capacity to pay. Cuba itself and other countries had experienced difficulty in paying their contributions despite their political will to do so and the increasingly harsh situation resulting from the inequalities of an unjust world order.

45. The arrears of the Organization's main contributor amounted to approximately 68 per cent of the total arrears under the regular budget. It was unacceptable for that Member State, having exerted pressure to secure a reduction in its own assessed contribution, not to honour its financial obligations. He hoped that the situation was not due to a return to the

policies of intimidation and blackmail that had been pursued by that Member State and was not linked to moves in its Congress to withhold payment of its debts to the United Nations if its reform demands were not met. The General Assembly should monitor the payments made by that Member State very closely and, if necessary, adjust the ceiling upwards for the period 2007-2009.

46. Cuba was up to date with its contributions to the regular budget and the budget of the international tribunals and had substantially reduced its debt to the peacekeeping budget, despite the economic difficulties caused by the tightening of the economic, trade and financial embargo which the United States had maintained against Cuba for more than 45 years. One particular problem was that Cuba could not use the United States dollar for its international transactions and was therefore subject to monetary fluctuations and the need to make transactions through third countries. Nevertheless, Cuba reaffirmed its political will to fulfil its financial obligations and called upon all other Member States to do likewise.

47. **Mr. Shin Kak-soo** (Republic of Korea) said that the ambitious programme of reform approved at the World Summit implied a recognition of the indispensable role of the United Nations. However, as the Secretary-General pointed out in his report, the Organization needed a strong and dependable financial base if it was to play that role. Of course, the reform itself was made more difficult by the uncertain financial situation, and the primary responsibility for the Organization's financial health certainly rested with its Member States. Despite some signs of improvement in 2005, past problems persisted.

48. The Republic of Korea had always paid its assessed contributions to the budgets of the two International Tribunals but remained concerned about their high costs. It had therefore welcomed the 2004 recruitment freeze and hoped that the Tribunals would complete their work by 2010 in accordance with the completion strategy. But that would require Member States to pay their assessed contributions to the Tribunals. Some 110 States were in arrears, while 10 had made no contributions at all.

49. The growth of the amounts owed to Member States in respect of peacekeeping operations was also a cause of concern. States could continue to contribute troops only if their costs were reimbursed. The

Republic of Korea was experiencing difficulty in paying its contributions to the peacekeeping budget owing to the unprecedented increase both in its share of the budget and in the absolute level of its assessment. However, his Government was working on a payment plan to enable it to meet its obligations. It remained fully committed to meeting all its responsibilities to the United Nations.

50. **Mr. Tal** (Jordan) said that, in view of the expansion of the role of the United Nations, Member States must fulfil their financial obligations to the Organization in order to ensure that it could continue to implement its mandates successfully. While Member States needed full, timely and accurate information on the financial situation of the United Nations in order to take decisions on administrative and budgetary matters, periodic oral presentations on that issue did not constitute an effective and participatory mechanism for the evaluation of the Organization's financial health.

51. He remained concerned about the unpaid assessments of certain Member States, in particular the Organization's major contributor. It was unacceptable that 40 per cent of all assessments due and payable were outstanding and he appealed to all States to honour their financial commitments. Furthermore, as one of the major troop-contributing countries, Jordan took a keen interest in the financial situation of peacekeeping operations and found it difficult to understand how mandates could be implemented effectively when 50 per cent of all assessments issued by 7 October 2005 had not been paid. Lastly, in view of the importance attached by the General Assembly to reform and accountability, the United Nations must take the necessary steps to ensure the timely reimbursement of costs relating to troops and contingent-owned equipment.

52. **Mr. Nguyen Dinh Hai** (Viet Nam) welcomed the improvement in the Organization's cash flow position but noted that concerns remained over the continuing fragility of the financial situation in general. The financial health of the United Nations depended on both its capacity to manage its resources and the payment of assessments by Member States. With regard to the former, he recalled that strengthening of the planning and budgeting process was one of the most important components of the Organization's reform agenda and called on the Secretariat to expedite its implementation of General Assembly resolution 57/278, in particular paragraph 6 thereof.

53. While Member States must honour their financial commitments under the Charter, some of them, in particular developing countries, might temporarily be prevented by special circumstances from paying their assessed contributions in full and on time. Any measures to encourage the payment of arrears should therefore be in keeping with the provisions of General Assembly resolution 57/4 C. Furthermore, multi-year payment plans should remain a voluntary mechanism and should not be linked to the granting of exemptions under Article 19 of the Charter.

54. **Mr. Kozaki** (Japan) said that the report on improving the financial situation of the United Nations tended to focus on whether or not Member States had paid their assessed contributions rather than addressing the abrupt and sharp increases in assessment rates. According to the revised estimates, the peacekeeping budget for 2005-2006 amounted to approximately \$5 billion, as compared to \$2.8 billion for the previous biennium, and it seemed likely that the regular budget for 2006-2007 would reach the unprecedented level of \$4 billion. His delegation was both surprised and concerned at those increases, particularly since Member States' ability to pay their assessed contributions had not improved significantly over the previous two years.

55. While periodic reports on the Organization's financial situation provided Member States with a useful overview of the Secretariat's position at a given moment, the issues underpinning specific scenarios also deserved consideration. Serious thought must be given to ways of striking a balance between the affordability of assessed contributions and the needs of the Organization.

56. **Mr. Farooq** (Pakistan) said that without adequate financial resources the United Nations could not be expected to fulfil its intergovernmental mandates in an effective manner. He therefore could not overemphasize the need for Member States to pay their assessed contributions in full, on time and without conditions. Although the Organization's cash-flow position had improved, the overall financial situation remained unstable and unpaid assessments for the regular budget, the two International Tribunals and the peacekeeping budget stood at \$739 million, \$73 million and \$2.1 billion, respectively.

57. He was deeply concerned about the Organization's mounting debt to Member States, which

was expected to reach \$779 million by the end of the year. Troop-contributing countries were particularly affected by the delay in reimbursements and Pakistan was currently owed in excess of \$50 million. His delegation also had reservations about the practice of cross-borrowing, which penalized those who paid on time and led to further delays in reimbursements for troops and equipment.

58. Notwithstanding those difficulties, Pakistan had always played a role in the maintenance of international peace and security and had paid its dues to the United Nations punctually. However, while the Fifth Committee discussed the financial situation of the United Nations on an annual basis, its discussions did not find concrete expression in a decision or resolution. The Committee should therefore explore the possibility of instituting a follow-up mechanism for the agenda item in question.

59. **Ms. Udo** (Nigeria) pointed out that children worldwide had begun to recognize United Nations peacekeepers as a beacon of hope. Member States had a collective responsibility to ensure that the Organization could continue to play a crucial and strategic role on the global stage and they must therefore abide by their Charter obligation to provide it with adequate financial resources for the implementation of all its mandated activities.

60. As at 1 October 2005, 126 Member States had demonstrated their commitment to the ideals of the United Nations by paying their regular budget contributions in full. However, despite the importance they attached to the Organization's activities, some Member States were currently unable to meet their financial obligations on account of severe economic difficulties. Nigeria extended its support and understanding to those States.

61. Outstanding assessments for peacekeeping operations were more than \$400 million lower than at the end of 2004. On the other hand, the debt owed to Member States by the Organization for troops and contingent-owned equipment was expected to reach \$779 million by the end of the year. While her delegation had taken note of the explanation given for the delay in reimbursements, the payment of amounts owed to Member States should be accorded priority. Developing countries, in particular, were in need of that money.

62. Of the \$345 million in the accounts of closed peacekeeping operations, \$262 million was already accounted for, leaving only \$83 million available for cross-borrowing. However, Nigeria was encouraged to see that the cash position of the regular budget and the international tribunals was stronger than it had been at the end of 2004 and hoped that the Organization would end the year in the black.

63. **Mr. Sach** (Controller) informed the Committee that, since 7 October 2005, Antigua and Barbuda had paid its regular budget contributions in full and Vanuatu had paid all its assessments to both International Tribunals. The Czech Republic and the Sudan had now paid in full all assessments that were due and payable.

64. He was sympathetic to troop-contributing countries' concerns about the debt owed to them. While the Organization always strove to reimburse those countries on a quarterly basis, its ability to make payments depended entirely on the cash available in the relevant peacekeeping accounts. In fact, cash-flow problems were likely to delay December payments for MONUC. In order to improve the Mission's cash-flow situation and therefore expedite the settlement of outstanding debts, Member States should endeavour to pay their December 2005 assessments ahead of time. In contrast, provided that the cash position of UNMIK did not deteriorate before the end of the year, reimbursements for police officers for the period ending August 2005 would be paid in full.

65. Lastly, to avoid ending the year with a regular budget deficit, Member States would have to replicate the previous year's payment patterns. That scenario might not be possible, however, since the largest amount outstanding was due from a Member State that had not yet adopted a budget to fund its assessed contributions.

Agenda item 131: United Nations common system
(A/60/7 Add.3, A/60/30 and A/60/209)

66. **Mr. Bel Hadj Amor** (Chairman of the International Civil Service Commission), introducing the report of the International Civil Service Commission for the year 2005 (A/60/30), said that the Commission, which had been established by the General Assembly to regulate and coordinate the conditions of service of the United Nations common system, had a crucial role to play in supporting the

work of the Fifth Committee. Since 2001, its main priority had been the reform of the pay and benefits system, in particular the development of new approaches in the field of human resources management as part of the overall United Nations reform process. Its work had given rise to two significant products, namely a framework for human resources management and the new Job Evaluation Master Standard for the Professional and higher categories.

67. As part of the framework, the Commission had agreed on two possible new approaches to the way in which staff were paid, namely, pay for performance and broadbanding. Five organizations had volunteered to participate in a pilot study to test the new approaches and, to date, the results had been encouraging. Some organizations had made more progress than others, but staff and managers were enthusiastic about the new venture, which would recognize and reward individual and team contributions. However, the Commission was concerned that a number of the organizations involved had considered making minor changes to the test modalities that had been established in 2004. In order to address that situation, it had engaged in a frank and open dialogue with those organizations that were so inclined and would continue to monitor the situation.

68. With regard to the mobility and hardship scheme, he recalled the General Assembly's long-standing concerns about the linkages between base floor salary and the associated entitlements. In accordance with General Assembly resolution 55/223, the Commission had established a tripartite working group to develop new arrangements for encouraging mobility and compensating staff for service in difficult duty stations. Despite the sensitive and contentious nature of the issue, the working group had reached agreement on a proposal, details of which could be found in the report. The parameters of the new arrangements had been devised in order to underline the importance of the hardship component and to ensure that the changes did not generate any additional costs. The Commission had recommended that the new scheme should be implemented on 1 July 2006 and that the current system should continue to operate in the meantime, which would result in a total cost of \$1.19 million for the first half of 2006.

69. The Commission was continuing to review the methodology for determining the level of the education

grant and would, at future sessions, be discussing the feasibility of lump-sum payments and other options. It had also decided to report to the Assembly that the contemporary rationale for maintaining separate dependency and single rates on the base floor salary scale was directly linked to the practices of Member States that maintained such a differentiation in their own tax systems. The distinction in remuneration for staff with and without primary dependants was appropriate and should be maintained, but the Commission would continue to study the matter as part of its review of the pay and benefits system.

70. The Commission had been studying the issue of contractual arrangements for two decades. It was faced with the dual challenge of integrating the concept of career and non-career service with the ability of the various organizations to recruit and retain the best staff and, at the same time, coordinating and harmonizing the varying arrangements so as to avoid discrepancies in designation and conditions of appointment. Following extensive dialogue with the organizations and staff, it had been agreed to establish three types of contracts, corresponding to continuing, fixed-term and temporary appointments, and the ensuing framework, details of which could be found in annex IV to the report, allowed for both consistency and flexibility.

71. The definition of criteria for the application of hazard pay had been revised as a result of the emergence of fatal diseases to which medical personnel were exposed in the performance of their duties. It had also been decided to increase the level of hazard pay for internationally recruited staff from \$1,000 to \$1,300 per month as from 1 January 2006. The cost of that increase would be approximately \$1.4 million per month. There were no plans to increase the level of hazard pay for locally recruited staff in view of the increase granted in 2004. The Commission maintained that it was impossible to appropriately compensate dedicated staff working in hazardous conditions and that a price could not be placed on life. It wished to reiterate its appreciation for the bravery and commitment of all staff who continued to put their lives on the line in the service of the Organization.

72. In response to a request by the General Assembly, the Commission had considered the harmonization of practices relating to the entitlements of staff serving at non-family duty stations. It had agreed with the rationale for maintaining two separate approaches under the special operations and mission subsistence

regimes, which were applied to address the different needs and requirements of different groups of personnel serving under different types of appointment. In addition, it had endorsed the proposed change from mission subsistence allowance to the after-60-day daily subsistence allowance rate as the basis for calculating the special operations living allowance under the special operations approach.

73. An adjustment of the United Nations common system's scale by 2.49 per cent would be necessary in 2006 in order to maintain the base floor scale in line with the General Schedule (base) scale of the comparator, the United States federal civil service. The adjustment would be made on a no-loss no-gain basis by consolidating post adjustment multiplier points. The financial implications that would arise as a result of increased separation payments and mobility and hardship payments, which were calculated on the basis of the base floor salary scale, would be approximately \$2.8 million for 2006. The net remuneration margin for 2005 between United Nations officials in the Professional and higher categories and United States federal civil service employees in comparable positions had been estimated at 111.1 on the basis of the approved methodology and existing grade equivalencies. While the margin was within the range and the Commission was not proposing an adjustment, it had decided to draw to the attention of the General Assembly the fact that the current level of the margin was 3.9 percentage points below the desirable midpoint of 115.

74. In the context of the Commission's periodic studies of grade equivalencies between positions in the United Nations common system and comparable positions in the United States federal civil service, a review of a random sample of positions in the Senior Executive Service of the comparator had begun and would be completed by the end of the year. The slow pace was largely due to changes in the comparator, as well as in the United Nations common system. The Commission would report to the General Assembly on the results of the exercise at the Assembly's sixty-first session.

75. The Commission believed that the practice of basing the salaries of United Nations staff in the Professional and higher categories on those applicable in the civil service of the country with the highest levels of pay, using certain international organizations as a reference check, was sound. It had recently carried

out a study to determine the highest paid civil service. The national civil services of Belgium, Germany, Singapore and Switzerland had been identified as among the best paid. However, an initial examination of total compensation in the German, Singaporean and Swiss civil services had demonstrated that none of them would be an appropriate replacement for the current comparator. A preliminary study of the Belgian civil service was under way. The General Assembly would be kept informed of progress in that regard.

76. The Commission's report also contained updated information on the implementation of the new Job Evaluation Master Standard for the Professional and higher categories. The participating organizations had expressed satisfaction with the new Master Standard, which was intended as a building block for competency development and performance management and, ultimately, improved organizational performance. It was anticipated that the rate of implementation would increase over time as the organizations established the necessary infrastructure and internal processes. A support network to assist organizations that might be experiencing difficulties in implementing the Master Standard was being contemplated.

77. Surveys of the best prevailing conditions of employment for the General Service and related categories had been undertaken in Paris and Montreal on the basis of the revised headquarters methodology established in 2004. As a result of the surveys, the Paris salary scale had been increased by 1.19 per cent and the Montreal salary scale by 8.9 per cent at an overall cost of approximately \$750,000 and \$1.2 million, respectively, at the March 2005 exchange rate for the euro and the July 2005 exchange rate for the Canadian dollar.

78. Lastly, information was provided in the Commission's report in response to questions raised by the General Assembly concerning the comparators used in determining entitlements such as leave and allowances and the practices of other relevant civil services and international organizations with respect to education grants.

79. The Commission appreciated the Committee's interest in and support for its work and the valuable guidance it provided. The views expressed by the Committee would continue to form the basis for the Commission's future work.

80. **Mr. Fareed** (Director of the Secretariat of the United Nations System Chief Executives Board for Coordination), introducing the note by the Secretary-General on the Senior Management Network (A/60/209), said that the note had been prepared pursuant to General Assembly resolution 59/268, in which the Secretary-General was requested, in his capacity as Chairman of the United Nations System Chief Executives Board for Coordination (CEB), to redesignate the Senior Management Service to reflect its character as a set of collaborative efforts to enhance the managerial capacity and performance of senior staff of United Nations system organizations. The Senior Management Service had been conceived as a means of strengthening managerial and leadership capacity and contributing to the creation of a common managerial culture throughout the system. In response to resolution 59/268, it had been redesignated as the Senior Management Network. That designation reflected the main purpose of the initiative, which was to create a managerial network across the system, underpinned by a system-wide leadership programme. He wished to underscore that the Network would not involve any change in conditions of service, compensation or contractual arrangements, nor would it have any financial implications, since the costs of the leadership programme would be met from within the organizations' training budgets.

Agenda item 124: Proposed programme budget for the biennium 2006-2007 (continued)

Agenda item 131: United Nations common system (continued)

Administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission for 2005 (A/60/7/Add.3 and A/60/421)

81. **Ms. Van Buerle** (Officer-in-Charge of the Programme Planning and Budget Division) introduced the Secretary-General's statement on the administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission for 2005 (A/60/421), which was submitted pursuant to rule 153 of the rules of procedure of the General Assembly. The Commission had recommended an upward adjustment of the base floor salary scale for staff in the Professional and higher categories by 2.49 per cent,

with effect from 1 January 2006. That would result in increases in the levels of mobility and hardship allowance and separation payments. The financial implications for the proposed programme budget for the biennium 2006-2007 were estimated at \$975,300.

82. The proposed adjustment to staff assessment rates for staff in the Professional and higher categories would lower gross salaries by 20 per cent but would have no effect on net salaries. The application of the new rates would result in a reduction of the estimated requirements for the biennium 2006-2007 in the amount of \$48.9 million under section 35 (Staff assessment). However, the estimated incomes under income section 1 (Income from staff assessment) would be reduced in the same amount, resulting in a zero net effect for the total level of the proposed programme budget for the biennium 2006-2007.

83. The Commission's decision to increase the level of hazard pay granted to internationally recruited staff from \$1,000 to \$1,300 per month, effective 1 January 2006, would lead to additional requirements of \$4.7 million for the biennium 2006-2007.

84. The total additional requirements resulting from the Commission's decisions and recommendations were estimated at \$5.7 million. Those additional requirements would be reflected in the recosting of the proposed programme budget estimates prior to determination of the appropriation by the General Assembly.

85. **Mr. Saha** (Acting Chairman of the Advisory Committee on Administrative and Budgetary Questions (ACABQ)), introducing the related report of ACABQ (A/60/7/Add.3), said that, as in the past, the Advisory Committee had confined its consideration of the financial implications of the Commission's recommendations and decisions to those that affected the United Nations, although the Commission's report contained decisions and recommendations that would affect other United Nations system organizations. The Advisory Committee's consideration of the Secretary-General's statement was usually a routine matter. However, in considering the current statement, it had questioned the use of the term "no-loss/no-gain", which for years had been accepted more or less on faith. The Advisory Committee had requested an explanation of the analysis underlying the Administration's conclusion that an upward adjustment of the base floor salary scale could come at no

additional cost to the United Nations. The additional information provided by the Secretariat had satisfied the Advisory Committee's concern. However, it had not been ready in time for inclusion in the report. As stated in that document, the explanation should be provided to the Fifth Committee and included, as appropriate, in all future statements of the Secretary-General on the administrative and financial implications of the Commission's decisions and recommendations.

86. **Mr. Horner** (United Kingdom), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate countries Croatia and Turkey; the stabilization and association process country Serbia and Montenegro; and, in addition, Ukraine, said that the European Union attached great importance to the effective functioning of the common system. It was also committed to the Noblemaire principle, since fair remuneration for United Nations staff, who constituted the Organization's most valuable asset, was key to its efficient operation.

87. The International Civil Service Commission made an important contribution to the creation of a results-oriented United Nations that focused on high performance, continuous learning and managerial excellence. Regarding the Commission's report (A/60/30), the European Union welcomed the ongoing review of the pay and benefits system. It was concerned, however, about the differences of opinion between the Commission and the participating organizations concerning the modalities for the pilot study of broadbanding reward for contribution. Those differences must be resolved quickly so that the Commission could in due course make an accurate assessment of the impact of the pilot study and the feasibility of broadbanding reward for contribution.

88. The European Union welcomed the Commission's efforts to streamline contractual arrangements and noted with satisfaction that its proposals in that regard were acceptable to both the Human Resources Network and the staff associations. Giving staff more predictability in terms of contracts would enhance motivation, which could only benefit the Organization. The European Union was ready to take a decision on implementing the new contractual arrangements, which were long overdue. It had taken note of the Commission's proposals regarding hazard pay, entitlements of internationally recruited staff serving at non-family duty stations and the base floor

salary scale and of the financial implications of those proposals and would revert to those matters in informal consultations.

89. The system-wide leadership programme to be launched within the framework of the Senior Management Network was an essential instrument for building managerial capacity and leadership, strengthening partnerships and enhancing mobility throughout the United Nations system, as well as creating a common managerial culture. The European Union welcomed the assurance that the Network would not involve the creation of a separate category of staff or new positions. It looked forward to receiving further information concerning the Network in informal consultations.

90. The report of the Panel on the Strengthening of the International Civil Service (A/59/153) contained pertinent, yet modest, recommendations for strengthening and modernizing the Commission and maximizing the impact of its work. It was to be hoped that the Committee would take action on the report at the current session.

91. **Mr. Garcia** (United States of America) said that his delegation was a strong supporter of an effective international civil service. With regard to the pilot study of broadbanding/reward for contribution, it shared the concerns expressed by the Commission that certain volunteer organizations might be deviating from the study's parameters. In that connection, it wished to remind the organizations of the provisions of General Assembly resolution 59/268, which stated that no new strategy or pilot project in broadbanding should be undertaken until the Assembly had had an opportunity to review the results of the pilot study being conducted by the Commission.

92. His delegation was pleased to note that the Commission had completed its review of contractual arrangements and adopted a framework of guidelines for each category of contract proposed. The simplification of the current overly complex system was long overdue, and it was now up to Member States to act. Under the Commission's proposals, standard separation procedures would apply on separation of staff with fixed-term contracts. He asked whether that was the current practice and, if not, what the financial implications would be and what the rationale was for adopting such procedures. He also wished to know

what other additional costs might result from the new framework.

93. His delegation welcomed the proposals for a comprehensive revision of the mobility and hardship scheme; the changes envisaged would compensate staff for service in hardship locations, while encouraging mobility. However, it noted with concern that the revised scheme would not be implemented until 1 July 2006 and wondered what the rationale for that starting date was. The Commission should also explain why no distinction was made in the proposals between headquarters and non-headquarters duty stations. His delegation looked forward to further discussion of those matters and of the legal and financial implications of the revised scheme.

94. Grade equivalency was a fundamental component in measuring and comparing net salaries in the United Nations common system and the comparator. His delegation therefore urged the Commission to complete the ongoing grade equivalency review as soon as possible.

95. The chapter of the Commission's report dealing with the implementation by organizations of decisions and recommendations of ICSC (A/60/30, chap. VI) lacked substance. It would be of greater value if a clear indication was given, perhaps in graphic form, of progress made in that regard.

96. His delegation was disappointed that the Committee had yet to take action on the report of the Panel on the Strengthening of the International Civil Service (A/59/153). The Committee's inaction sent the wrong signal to the many common system stakeholders, implying that members were unable to agree on simple ways of improving a system that affected tens of thousands of civil servants and their families.

97. Lastly, with regard to the note by the Secretary-General on the Senior Management Network (A/60/209), he emphasized that the Network must have clearly defined objectives.

98. **The Chairman**, in accordance with General Assembly resolution 35/213, invited the President of the Federation of International Civil Servants' Associations (FICSA) to make a statement.

99. **Mr. Weissel** (President of the Federation of International Civil Servants' Associations) said that, regrettably, international civil servants were

bystanders, rather than active participants in the process of United Nations reform. The United Nations staff constituted the system's most precious asset, yet in recent years the conditions of service of staff members had been scrutinized and their abilities and dedication to duty called into question, and there had been a clear drift away from the basic principles of the international civil service. FICSA participated in inter-agency forums whenever possible with a view to ensuring that the conditions of service of United Nations staff remained at a level befitting an international civil service. In that connection, it believed that staff had the right to be fully and actively involved in the consideration of reforms that could affect their lives and livelihoods. Their involvement could, moreover, make a positive contribution to the reform process.

100. FICSA followed very closely the issue of staff security. It noted with satisfaction the very positive developments in that area, including the establishment of the Department of Safety and Security. The proactive manner in which the new Under-Secretary-General for Safety and Security had embraced staff concerns and his efforts to ensure communication with staff were most welcome. However, two goals remained to be realized. First, an enforceable accountability framework must be established with a clear line of accountability to the Secretary-General. Second, central and regular funding must be provided for the United Nations security management system. That would ensure equity and consistency in the provision of security to staff throughout the United Nations system, regardless of the organization, agency, fund or programme in which they served.

101. The staff of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) worked in a highly volatile and difficult environment yet did not receive hazard pay. Member States must do their utmost to ensure that the necessary funds were provided, perhaps through a special annual allocation.

102. FICSA had participated in both sessions of ICSC in 2005, as well as in the Working Group established to consider the revision of the mobility and hardship scheme. The conclusions reached by the Working Group were the result of a collaborative effort by the staff representatives, the organizations and the ICSC secretariat. While FICSA would have preferred to retain the existing scheme, which remained viable, it

believed that the proposal presented represented the best compromise that could be achieved under the circumstances. The Working Group had been both effective and inclusive, and FICSA therefore wished to encourage the Commission to consider the establishment of additional working groups to examine other complex issues before it.

103. FICSA had serious concerns about the review of the pay and benefits system and about the suitability of applying such concepts as broadbanding and performance-related pay in the United Nations common system. Its concerns had been heightened on learning that some organizations had not adhered strictly to the modalities for the conduct of the related pilot study. While it was not opposed to the review, or to United Nations reform in general, any changes to the common system must be implemented in accordance with agreed principles.

104. FICSA was extremely disappointed that ICSC had not recommended action to restore the net remuneration margin, estimated at 111.1 for 2005, to the midpoint of 115, despite repeated calls by the General Assembly for its maintenance at that level.

105. The Commission's efforts to simplify contractual arrangements were welcome. However, Member States must ensure that staff retained the opportunity to make a career in the United Nations system and that career service continued to be valued. Fair and transparent contractual arrangements that offered careers to a designated proportion of staff were vital for the preservation of the international civil service.

106. Lastly, FICSA was pleased to note that the Committee would consider at the current session the report of the Panel on the Strengthening of the International Civil Service (A/59/153). Recommendations 1 to 8, if adopted, would help to ensure that ICSC had the necessary tools to effectively examine and make recommendations on conditions of service in the common system. The other recommendations, however, did not correspond to the Panel's terms of reference. In that connection, FICSA wished to stress that ICSC was the body established by the General Assembly to make recommendations on conditions of service in the common system.

The meeting rose at 1 p.m.